

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF IOWA
WESTERN DIVISION

RICHARD E. DRYDEN,
Plaintiff,

vs.

BURLINGTON NORTHERN-SANTA FE
RAILROAD, a Corporation,
Defendant.

No. C00-4061 DEO

ORDER

This matter comes before the Court upon plaintiff Richard E. Dryden's motion to reinstate (Docket #20). After careful consideration of the parties' written and oral arguments, as well as the relevant case law, plaintiff's motion is denied.

I. BACKGROUND

On August 27, 2001, Magistrate Judge Paul A. Zoss mediated a settlement conference between the parties in this case. The parties agreed to a settlement and Judge Zoss entered his Order Regarding Settlement on August 28, 2001.

The night of the settlement conference, Dryden experienced a lot of pain and decided that what he had settled for was not enough money. Dryden contacted both Magistrate Judge Zoss and this Court by phone indicating that he wanted to get out of the settlement. This Judge told Dryden he could not talk to him

about this situation and told Dryden to tell his lawyer of his position. On September 10, 2001, this Court conducted a phone conference call with the attorneys to inform counsel of his brief phone conversation with Dryden. On September 26, 2001, Dryden filed a motion to reinstate his case. This motion was made pursuant to Northern District of Iowa Local Rule 41.1(c), which provides that after an action has been settled, either party may seek reinstatement of the case, provided that the motion shows good cause as to why the settlement was not consummated. The defendant Burlington Northern (hereinafter "Burlington") filed a resistance to Dryden's motion and a hearing was held.

II. LEGAL ANALYSIS AND ARGUMENTS

Settlement agreements are contracts for the purposes of state law, and are to be governed by the basic principles of the contract law of the state in which they are entered. Sheng v. Starkey Lab Inc., 53 F.3d 192, 194 (8th Cir. 1995). Thus, Iowa law must govern this Court's determination as to whether the "resolutions" made at the settlement conference between the plaintiff and the defendant produced an enforceable contract. Once a settlement agreement is reached, the parties are bound by

a settlement agreement, absent fraud, misrepresentation, or concealment. Phipps v. Winneshiek County, 593 N.W. 2d 143 (Iowa 1999). In Wright v. Scott, 410 N.W. 2d 247, 248 (Iowa 1987), the Iowa Supreme Court sets out the law on disturbing a settlement agreement:

Settlement agreements are by their very nature the voluntary resolution of uncertain claims and defenses. Because parties are unsure about the outcome of litigation they have a real incentive to accept a compromise settlement agreement, realizing that if they continue they may fare better but they may fare worse. It is therefore well settled that "to vitiate a settlement, a mistake must be mutual, material, and concerned with a present or past fact." *Anderson v. Ciba-Geigy Corp.*, 490 F.2d 438, 442 (8th Cir. 1974)(emphasis added); *Stetzel v. Dickenson*, 174 N.W. 2d 438, 440 (Iowa 1970). Similarly, for a mistake of law to render void a settlement agreement, that mistake generally must be mutual and material. 15A Am.Jur.2d *Compromise and Settlement* §34, at 806 (1976). Voluntary settlements will not be disturbed for ordinary mistakes of law. *Bakke v. Bakke*, 242 Iowa 612, 618-19, 47 N.W. 2d 813, 817, (1951); see *Bergaman v. Bergman*, 247 Iowa 98, 103, 73 N.W. 2d 92, 95-96 (1955).

Id. at 249.

A hearing was held on the plaintiff's motion to reinstate his case which would in effect, set aside the "settlement." The

plaintiff Dryden testified that it was his understanding is that at the "settlement" conference he was told that he had thirty (30) days to either accept or reject the settlement agreement. Dryden further testified that "there was agreement between the two parties but I did not know it was a binding agreement." He further argues that the Wright case, (partially set out above), is distinguishable in that it dealt with a unilateral mistake of law rather than the mistake of fact as in his case - Dryden's good faith belief that he had thirty days to accept or reject the "settlement" agreement.

The Court has underlined the word "fact" in the above set out citation because the Wright case is clear that to vitiate a settlement a mistake must be mutual, material and concerned with a present or past fact. The Wright case goes on to say that a mistake in law must also pertain to a mutual and material mistake.

The defendant Burlington argues that the facts are undisputed that a settlement agreement was reached. Burlington points out that if Dryden really believed he had thirty days to accept or reject the settlement agreement, he would have called his attorney instead of calling Judge Zoss or calling this

Court. Even assuming that Dryden thought he had thirty days, Burlington argues that it was clearly a unilateral mistake of law made only by Dryden and nobody else (including Dryden's attorney), and Burlington disputes Dryden's argument that there was no "meeting of the minds."

While as just set out, the defendant argues that the problem was a unilateral mistake in law, this Court is persuaded that it was more likely a unilateral mistake of fact. The Wright case holds either situation is not enough to vitiate a contract. Id. at 249.

The only dispute appears to be Dryden's argument that he remembers something being said at the end of the settlement conference about having "thirty days", and his interpretation of what that meant. At the hearing held before this Court, Magistrate Judge Zoss testified that he has never told a party at a settlement conference that they have thirty days to accept or reject the settlement agreement. Judge Zoss testified that "thirty days" may have been mentioned in relation to Local Rule 41(c) which gives parties thirty days to file their own dismissal of the case once a settlement agreement has been reached. If after the thirty days the parties have not bothered

to dismiss the case, the Clerk of Court can dismiss the case. He explained that this rule was introduced for administrative purposes because cases that had been settled were not being cleared off the docket.

Michael Thrall, attorney for the defendant, testified that after several hours of negotiating, Judge Zoss advised he and his client that the last offer had been accepted by Dryden. He testified that he did not hear Judge Zoss make any comments about having thirty days to back out of the agreement. Dave Fortis, Senior Claims Analyst for Burlington, testified that he may have heard the mention of "thirty days", but that it was in relation to completing all the necessary paperwork.

It is clear to this Court that Dryden mistakenly thought he had thirty days to accept or reject the settlement agreement. Dryden was represented by competent legal counsel and had ample opportunity to confer with his lawyer about the negotiations he was participating in and the consequences of any agreement that was reached. Furthermore, the testimony of the participating individuals to the settlement agreement is evidence that a fair settlement agreement was reached and that the Dryden was never told that he had thirty days to accept or reject the settlement

agreement. There was no mutual mistake of fact or law present in this case. The only mistake was a mistake on the part of Dryden, and that cannot be stretched, under Iowa law and/or the Local Rules, to render a settlement agreement void, and of course, it was not mutual. This Court is persuaded that a settlement agreement was reached in this case. It is also clear that there is absolutely no evidence of any fraud, misrepresentation or concealment in relation to the settlement agreement.

Therefore, this Court holds that the settlement agreement that was reached between the plaintiff Dryden and the defendant Burlington Railroad is enforceable. Plaintiff's motion to reinstate is denied.

IT IS SO ORDERED.

DATED this ____ day of November, 2001.

Donald E. O'Brien, Senior Judge
United States District Court
Northern District of Iowa